

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2005):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO
CERTAIN APPAREL OF COAT WEIGHT FABRICS OF
CAMEL HAIR, CASHMERE, AND WOOL BLENDS**

Investigation No. 332-465-004

May 2005



Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-465-004

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| Products | Certain apparel of coat weight fabrics of camel hair, cashmere, and wool blends |
| Requesting Parties | S. Rothschild & Co., Inc. of New York, NY |
| Date of Commission Report: USTR Public | May 11, 2005 May 2005 |
| Commission Contact | Jackie W. Jones (202-205-3466; jackie.jones@usitc.gov) |

NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON MAY 11, 2005. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (**).

Summary of Findings

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of outerwear, such as long coats and short jackets, made of fabrics of coat weight 100-percent carded camel hair, 100-percent carded cashmere, and a blend of carded cashmere and wool fibers¹ made in eligible Caribbean Basin countries from the subject fabrics, regardless of the source of such fabrics, would likely have some adverse effect on U.S. apparel producers which produce outerwear of the subject fabrics or of fabrics that may be substitutable for the subject fabrics. Granting preferential treatment to such outerwear also would have some adverse effect on U.S. fabric producers and their workers that produce the subject fabrics and any fabrics that might be substitutable for the subject fabrics. Granting preferential treatment to such outerwear is currently not likely to have an effect on U.S. yarn producers, **. The proposed action would likely benefit U.S. firms making outerwear of the subject fabrics in eligible Caribbean Basin countries, and their U.S.-based workers, as well as U.S. consumers.

Background

On January 19, 2005, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-465, *Commercial Availability of Apparel Inputs (2005): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). This investigation provides advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2005 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).²

¹ See Discussion of the product section of this review for explanations of the fabrics and apparel which are the subject of this review.

² For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Jan. 26, 2005 (70 F.R. 3728) and consult the Commission's website at www.usitc.gov/ind_econ_ana/research_ana/pres_cong/332/short_supply/shortsupintro.htm.

The Commission's advice in this report relates to a petition received by CITA on March 30, 2005, alleging that certain coat weight³ 100-percent carded camel hair fabric, coat weight 100-percent carded cashmere fabric, and coat weight fabric made of blends of 20-percent by weight carded cashmere and 80-percent carded wool cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for outerwear, long coats and short jackets, for both women and men, made from the above fabrics in eligible CBTPA beneficiary countries, regardless of the source of the fabrics.⁴

Discussion of the product

The petition filed by S. Rothschild & Co., Inc. of New York, NY, (an apparel company that designs and imports outerwear, in this case, from factories in the Caribbean Basin countries), includes garments from three types of outerwear fabrics that are all imported under statistical reporting number 5111.19.6020 of the Harmonized Tariff Schedule of the United States (HTS). This statistical reporting number covers woven fabrics of carded wool or fine animal hair, containing 85 percent or more by weight of wool or fine animal hair, and weighing 300 gms/m² up to 400 gms/m².⁵ However, the petition refers to "coat weight" fabrics defined in the petition as fabrics weighing 335 gms/m² up to 400 gms/m². Therefore, the petition covers only fabrics in that weight range. The 2005 general rate of duty on the fabrics which are for use in outerwear, such as long coats and short jackets, is 25 percent ad valorem under subheading 5111.19.60. The outerwear articles are classified in HTS chapter 62 (apparel, not knitted or crocheted), and the 2005 general rate of duty on imports of such outerwear is an ad valorem equivalent of 17.4 percent.⁶

The fabric specifications for each of the three fabrics are included in the tabulation on the following page.

³ In this case, "coat weight" refers to the weight of the fabric defined in the petition, which is 335 gms/m² to 400 gms/m². For further information on the fabrics and apparel that are subject to the petition see Discussion of the product section of this review.

⁴ The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

⁵ Carded yarns of wool or fine animal hair have not been granted "short supply designation." Combed yarns of wool or fine animal hair have been granted "short supply designation" under the CBTPA. See *Federal Register* of May 28, 2002 (67 F.R. 36858-36859).

⁶ The general rate of duty on the outerwear is a compound rate of 41¢/kg + 16.3 percent ad valorem.

| Fabric specifications | | | |
|---|------------------------|---------------------------|--------------------|
| Fabric description | Yarn type ¹ | Weight | Width ² |
| Fabric 1: 100-percent camel hair | Carded | 370-400 gm/m ² | 148-150 cm |
| Fabric 2: 100-percent cashmere | Carded | 335-400 gm/m ² | 148-150 cm |
| Fabric 3: 80-percent wool/20-percent cashmere | Carded | 370-400 gm/m ² | 148-150 cm |
| <p>¹Carding is a process in the manufacturing of yarns of wool or fine animal hair whereby the wool or fine animal hair fibers are opened, cleaned, aligned and/or straightened, and formed into a continuous, untwisted strand called a sliver. The production of the sliver is the first step that combines wool fibers into a form that can be drawn (or reduced in bulk) and eventually twisted into a "woolen" yarn. To produce a smoother, tighter "worsted" yarn, a process known as "combing" is performed after carding. Combing further straightens the fibers and extracts any remaining foreign matter and the shorter fibers. Combing produces a stronger, more even, more compact, finer, smoother yarn than carding. Wool or fine animal hair fabrics woven of combed yarns are known as worsted fabrics. Hoechst Celanese Corp., <i>Dictionary of Fiber & Textile Technology</i>, Charlotte, NC, 1989, pp. 24, 31, and 143.</p> <p>² All the widths are "cuttable" widths, useable for making the garments.</p> | | | |

The fabrics are imported from Italy and according to the petitioner, are coat weight fabrics of what are commonly known as "luxury fibers," that is camel hair, cashmere, and wool/cashmere blends.⁷ A spokesperson for ***⁸ The fabrics are made of carded yarns and thus have a fuzzier appearance than if the fabrics were made of combed yarns. Carded yarns of wool or fine animal hair are often used in the production of both women's and men's outerwear as opposed to combed yarns of the same fibers, which are used more often in tailored suits and sport coats. The petition states that the use of the subject fabrics is limited by their weight to only the production of outerwear. Thus, the petitioner asserts that any U.S. weaving mills that produce lighter weight fabrics used in the production of tailored suits and sport coats should not be affected by granting short supply designation for the subject coat weight fabrics.⁹

The petition states that the long coats and short jackets made of the subject fabrics are sold in "mid-level" retail stores, such as Federated Department Stores, May Company, Dillards, Macy's, and Bloomingdales.¹⁰ The petitioner, Rothschild, states that in order to meet its customers' needs, it must purchase the exact fabrics requested by its customers at lower price points.¹¹

⁷ Margaret R. Polito, "Petition Regarding the Commercial Availability of Certain 100-percent Coat Weight Camelhair Fabric; 100-percent Coat Weight Cashmere Fabric; and Certain Coat Weight Blends of Cashmere and Wool Fabric Under the Caribbean Basin Trade Partnership Act", filed with CITA, Mar. 30, 2005, p. 1.

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⁹ Margaret R. Polito, Counsel for S. Rothschild & Co., Inc., "Petition Regarding the Commercial Availability of Certain 100-percent Coat Weight Camelhair Fabric; 100-percent Coat Weight Cashmere Fabric; and Certain Coat Weight Blends of Cashmere and Wool Fabric Under the Caribbean Basin Trade Partnership Act," filed with CITA, Mar. 30, 2005, p. 5.

¹⁰ Ibid., p. 2.

¹¹ Ibid., pp. 2 and 3.

Discussion of affected U.S. industries, workers, and consumers

Apparel Producers

Commission staff contacted four U.S. producers that produce outerwear coats and jackets of the subject fabrics domestically. ***12

An official of ***13*** This figure compares with the retail price quoted in the petition of under \$385 per coat for Rothschild's line of Larry Levine® coats of cashmere/wool blended fabrics.¹⁴ ***15***

An official of ***16***

An official for ***17***18***19***

An official from ***20***21***22

Fabric producers

The Commission contacted the National Textile Association (NTA), which represents producers of the subject fabrics or fabrics which may be substitutable for the subject fabrics,²³ and the three firms believed to produce domestically the subject fabrics or substitutable fabrics. NTA stated to Commission staff and in its submission to CITA that three of its members currently produce or have the capacity to produce the subject fabrics or fabrics substitutable for the subject fabrics.²⁴ Two of these firms—the Warren Corp. and Victor Forstmann, Inc.—submitted written statements to CITA stating that, in the case of the Warren Corp., the company is currently producing domestically all the fabrics included in the petition; and in the case of Victor Forstmann, Inc., that Forstmann is a domestic producer of the subject fabrics and can produce these fabrics for Rothschild. Forstmann also included in its submission production data on fabrics of blends of wool and camelhair and cashmere that may be substitutable for subject fabrics. ***25

According to officials of the Warren Corp. and other members of the textile and apparel industries, the Warren Corp. currently produces the subject fabrics domestically and sells these fabrics to domestic producers of the subject outerwear.²⁶ Warren also sells the subject fabrics to U.S. apparel producers which use Warren's fabrics in production of the subject coats and jackets offshore. In response to the

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¹⁴ See "Petition Regarding the Commercial Availability of Certain 100-percent Coat Weight Camelhair Fabric; 100-percent Coat Weight Cashmere Fabric; and Certain Coat Weight Blends of Cashmere and Wool Fabric Under the Caribbean Basin Trade Partnership Act," filed with CITA, Mar. 30, 2005, p. 3.

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²³ David Trumbull, National Textile Association (NTA), Boston, MA, telephone interviews by Commission staff, Apr. 19 and 28, 2005.

²⁴ Karl Spilhaus, President, NTA, submission to CITA, "RE: Opposition to Rothschild & Co., Inc. Petition Regarding the Commercial Availability of certain coat weight fabrics of 100 percent carded camelhair, 100 percent carded cashmere, or a blend of carded cashmere and wool fibers for use in the manufacture of outerwear articles," p. 1.

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²⁶ See previous section on U.S. apparel producers.

petitioner's claim that Warren has limited capacity to produce the subject fabrics and, therefore, could not meet Rothschild's needs, Warren stated in its submission to CITA that it currently has sufficient unused capacity to meet Rothschild's needs and stated that ***27***²⁸ In response to the petitioner's claim that Warren's prices for the subject fabrics would not allow Rothschild to meet its customers' price points,²⁹ Warren stated in its submission that quantity discounts are common in the industry and that Warren's designers work with potential customers to try to meet the customers' price points by adjusting the "particular grade of quality" of its fabrics.³⁰ ***31***

One effect of approval of the subject petition on the ***32***

Yarn producers³³

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Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice³⁶

The Commission's analysis indicates that granting duty-free treatment to U.S. imports of outerwear coats and jackets made in eligible CBTPA countries from the subject fabrics, regardless of the source of such fabrics, would likely have some adverse effect on U.S. apparel producers and U.S. fabric producers and their workers. Information provided to the Commission indicates that there is U.S. production of the subject long coats and short jackets made from the subject fabrics produced both domestically and abroad. In addition, ***. U.S. apparel producers of the subject outerwear coats and jackets could face increased competition from the subject apparel made in Caribbean Basin countries as producers there might have access to lower fabric costs because of the duty savings resulting from approval of the commercial availability petition. To the extent that imports of the subject apparel from the Caribbean Basin would increase, these increased imports might displace other imports of the subject apparel, especially since imports are believed to account for a substantial share of the U.S. market for this outerwear and U.S.-produced outerwear made of the subject fabrics.

Information provided to the Commission indicates that there is current U.S. production of the subject fabrics ***

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²⁸ Lisa A. Cornish, Vice-President Finance and Administration, Warren Corp., "RE: Opposition to Rothschild & Co., Inc. Petition Regarding the Commercial Availability of certain coat weight fabrics of 100 percent carded camelhair, 100 percent carded cashmere, or a blend of carded cashmere and wool fibers for use in the manufacture of outerwear articles," Apr. 15, 2005, p. 1.

²⁹ The NTA's and Warren's submissions stated that CITA does not consider price differences in making its commercial availability determinations.

³⁰ Lisa A. Cornish, Vice-President Finance and Administration, Warren Corp., "RE: Opposition to Rothschild & Co., Inc. Petition Regarding the Commercial Availability of certain coat weight fabrics of 100 percent carded camelhair, 100 percent carded cashmere, or a blend of carded cashmere and wool fibers for use in the manufacture of outerwear articles," Apr. 15, 2005, p. 2.

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³⁶ The Commission's advice is based on information currently available to the Commission.

Although there are domestic producers that have the capacity to spin carded cashmere, camel hair, and wool/cashmere blended yarns, ***

U.S. firms making apparel in eligible CBTPA countries and their U.S. based workers would likely benefit from the proposed preferential treatment. The proposed preferential treatment would likely benefit U.S. consumers of long coats and short jackets made from the subject fabrics to the extent that the producers in the Caribbean Basin pass on some of the duty savings to retail consumers.